Filing at a Glance

Company: State Farm Fire and Casualty Company

Product Name: HO-22222	SERFF Tr Num: SFMA-125225003	State: Arkansas
TOI: 04.0 Homeowners	SERFF Status: Closed	State Tr Num: AR-PC-07-025394
Sub-TOI: 04.0000 Homeowners Sub-TOI Combinations	Co Tr Num: HO-22222	State Status:
Filing Type: Rate	Co Status:	Reviewer(s): Becky Harrington, Betty Montesi, Brittany Yielding
	Authors: Richard Haberer, Sheri Anderson	Disposition Date: 07-23-2007
	Date Submitted: 07-10-2007	Disposition Status: Filed
Effective Date Requested (New): 10-15-2007		Effective Date (New): 10-15-2007
Effective Date Requested (Renewal): 12-01-2007		Effective Date (Renewal): 12-01-2007

General Information

Project Name: HO-22222	Status of Filing in Domicile: Not Filed
Project Number: HO-22222	Domicile Status Comments: N/A
Reference Organization: N/A	Reference Number: N/A
Reference Title: N/A	Advisory Org. Circular: N/A
Filing Status Changed: 07-23-2007	
State Status Changed: 07-10-2007	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

We respectfully submit a revision to our independent Homeowners Program, which results in a rate level decrease of 1.1%. The details of and support for the change are outlined in the attached Filing Memorandum and supporting exhibits.

The rate level changes contained in this filing specifically consider the expected effect that any prior changes in policy language will have on our future underwriting experience. The changes detailed in this filing reflect our best efforts to recognize our actuarially suggested income needs and have premiums that are as competitive as possible.

We do not rely solely on rate activity to achieve our objective of continued financial solidity. We also concentrate on continued improvements in the way we service the business we write. These improvements range from internal expense controls to ongoing enhancements in the loss settlement process. We also invest and participate in many loss prevention and control activities. The attached Loss Mitigation Exhibit outlines some of these activities.

We see no positive or negative impact of our rates on the affected fire departments.

Company and Contact

Filing Contact Information

Karen Terry,	karen.terry.agr7@statefarm.com
One State Farm Plaza	(309) 766-2265 [Phone]
Bloomington, IL 61710	(309) 766-0225[FAX]

Filing Company Information

State Farm Fire and Casualty Company	CoCode: 25143	State of Domicile: Illinois
1 State Farm Plaza	Group Code: 176	Company Type:
Bloomington, IL 61710	Group Name:	State ID Number:
(309) 735-0649 ext. [Phone]	FEIN Number: 37-0533080	

Filing Fees

Fee Required?	Yes
Fee Amount:	$100.00
Retaliatory?	No
Fee Explanation:	1 filing x $100.00 per filing = $100.00
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
State Farm Fire and Casualty Company	$0.00	07-10-2007	

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
5000134865	$100.00	05-31-2007

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Becky Harrington	07-23-2007	07-23-2007

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	**Created By**	**Created On**	**Date Submitted**	**Responded By**	**Created On**	**Date Submitted**
Pending Industry Response	Becky Harrington	07-11-2007	07-11-2007	Sheri Anderson	07-19-2007	07-19-2007

Disposition

Disposition Date: 07-23-2007
Effective Date (New): 10-15-2007
Effective Date (Renewal): 12-01-2007
Status: Filed
Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
State Farm Fire and Casualty Company	-1.100%	$-1,195,041	139,796	$0	0.000%	0.000%	0.000%

Created by SERFF on 07-23-2007 09:27 AM

Item Type	Item Name	Item Status	Public Access
Supporting Document	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document *(revised)*	HPCS-Homeowners Premium Comparison Survey	Filed	Yes
Supporting Document	HPCS-Homeowners Premium Comparison Survey		Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Form H-1	Filed	Yes
Supporting Document	Filing Memo and Exhibits	Filed	Yes
Rate	Rate Manual Pages	Filed	Yes

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07-11-2007
Submitted Date	07-11-2007

Dear Karen Terry,

This will acknowledge receipt of the captioned filing.

Objection 1

- HPCS-Homeowners Premium Comparison Survey (Supporting Document)

Comment:
Form HPCS must be submitted in Excel spreadsheet format on our form. Companies may not change the form in any way or include formulas.

Objection 2

- Filing Memo and Exhibits (Supporting Document)

Comment: Provide support for the latest year's CAT provision (A) of Exhibit 5, page 2.

Objection 3

- Filing Memo and Exhibits (Supporting Document)

Comment: The CAT loss ratio for AR, Exhibit 8, is 40.1%, while the countrywide is 18%. Identify the catastrophe driving the AR LR.

Objection 4
No Objections
Comment: A rate revision was filed effective 7/1/07 new business, 7/15/07 renewals. Please explain.

In accordance with Regulation 23, Section 7.A., this filing may not be implemented until 20 days after the requested amendment(s) and/or information is received.

Please feel free to contact me if you have questions.
Sincerely,
Becky Harrington

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07-19-2007
Submitted Date	07-19-2007

Dear Becky Harrington,

Comments:

Response 1

Comments: This is in response to your July 11, 2007 letter requesting additional information pertaining to filing HO-22222.

Objection 1
-HPCS-Homeowners Premium Comparison Survey
The HPCS must be submitted on our form without changes in format or addition of formulas.

A new HPSC form is attached. In form HPCS, since we dont use protection class rating in Arkansas, we have used subzones 5, 10, and 15. Please add the following as a footnote to this exhibit, Protection Class rating is not available for State Farm. The provided rates correspond to risks in subzones 5, 10, and 15. The Earthquake rates provided correspond to the 10% Earthquake deductible.

Objection 2
-Filing Memo and Exhibits
Provide support for the latest years CAT provision of (A) of Exhibit 5, page 2.

2006 CAT/AIY = 2006 Non-Hurricane Catastrophe Loss & LAE/2006 Amount of Insurance Years
= $42,085,736/ 17,396,848
= 2.41

Objection 3
-Filing Memo and Exhibits
The CAT loss ratio for AR, Exhibit 8, is 40.1%, while the countrywide is 18%. Identify the catastrophe driving the AR LR.

A table is included below which identifies the two largest CAT occurrences for 2006. It includes the type of CAT event, the approximate date of the event, and the Case Incurred Cat Loss for the event.

Date	Type of Event	Case Incurred CAT Loss
March 11, 2006	Wind/Hail	$18,400,000
April 2, 2006	Wind/Hail/Tornado	$ 8,770,000

Objection 4
A rate revision was filed effective 7/1/07 new business, 7/15/07 renewals. Please explain.

> The revision filed effective 6/1/07 for new business and 7/15/07 for renewal business was an annual rate revision. The current filing is a mid-term change we filed to increase the Home/Auto Discount and increase the Utilities Rating Plan discount for homes with newer utilities.

Thank you,

Jessica Newman

Related Objection 1

Applies to:

- Filing Memo and Exhibits (Supporting Document)

Comment: Provide support for the latest year's CAT provision (A) of Exhibit 5, page 2.

Related Objection 2

Applies to:

- Filing Memo and Exhibits (Supporting Document)

Comment: The CAT loss ratio for AR, Exhibit 8, is 40.1%, while the countrywide is 18%. Identify the catastrophe driving the AR LR.

Related Objection 3

Comment: A rate revision was filed effective 7/1/07 new business, 7/15/07 renewals. Please explain.

Related Objection 4

Applies to:

- HPCS-Homeowners Premium Comparison Survey (Supporting Document)

Comment:

Form HPCS must be submitted in Excel spreadsheet format on our form. Companies may not change the form in any way or include formulas.

Supporting Document Schedule Item Changes

Satisfied -Name: HPCS-Homeowners Premium Comparison Survey

Comment: HPCS form attached (Excel and pdf formats).

No Form Schedule items changed.

No Rate/Rule Schedule Item Changes

Sincerely,

Richard Haberer, Sheri Anderson

Rate Information

Rate data applies to filing.

Filing Method:	File and Use
Rate Change Type:	Decrease
Overall Percentage of Last Rate Revision:	-1.800%
Effective Date of Last Rate Revision:	06-01-2007
Filing Method of Last Filing:	File and Use

Company Rate Information

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
State Farm Fire and Casualty Company	-1.100%	$-1,195,041	139,796	$0	0.000%	0.000%	0.000%

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	Rate Manual Pages	See Attached	Replacement		AR HO-22222 Manual Pages.pdf

HOMEOWNERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

ZONE RATES

Zones	Rate
10	893.10
11	1032.52
13	1009.65
14	1040.14
16	1096.78
17	1248.18
19	1567.28
21	1158.85

HOMEOWNERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

SUBZONE FACTORS

Subzone	Factor
01	0.645
02	0.677
03	0.711
04	0.747
05	0.784
06	0.823
07	0.864
08	0.907
09	0.952
10	1.000
11	1.050
12	1.103
13	1.158
14	1.216
15	1.277
16	1.341
17	1.408
18	1.478
19	1.552

HOMEOWNERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

CONSTRUCTION FACTORS

Construction	Factor
Frame	1.130
Log	1.130
Masonry	1.000
Fire Resistive	0.850
Veneer	1.000

HOMEOWNERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

AMOUNT FACTORS

Risk Amount	Factor
5,000	7.434
7,000	5.576
10,000	4.183
15,000	3.084
20,000	2.442
30,000	1.874
40,000	1.569
50,000	1.410
60,000	1.254
70,000	1.194
80,000	1.119
90,000	1.053
100,000	1.000
110,000	0.962
120,000	0.914
130,000	0.900
140,000	0.868
150,000	0.862
160,000	0.848
170,000	0.834
180,000	0.819
190,000	0.804
200,000	0.782
250,000	0.750
300,000	0.739
350,000	0.728
400,000	0.717
450,000	0.706
500,000	0.697
550,000	0.688
600,000	0.681
650,000	0.675
700,000	0.670
750,000	0.666
Each additional $1,000	0.796

For amounts between those shown above, interpolate to derive the appropriate factor.

RENTERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

ZONE RATES

Zones	Rate
10	157.65
11	199.19
13	248.99
14	228.79
16	199.19
17	248.99
19	248.99
21	248.99

RENTERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

SUBZONE FACTORS

Subzone	Factor
All	1.000

RENTERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

CONSTRUCTION FACTORS

Construction	Factor
All	1.000

RENTERS
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

AMOUNT FACTORS

Risk Amount	Factor
2,000	5.198
4,000	3.135
6,000	2.240
8,000	1.850
10,000	1.675
12,000	1.539
14,000	1.402
16,000	1.315
18,000	1.243
20,000	1.187
22,000	1.138
24,000	1.094
26,000	1.054
28,000	1.027
30,000	1.000
35,000	0.944
40,000	0.894
45,000	0.855
50,000	0.822
55,000	0.800
60,000	0.777
65,000	0.757
70,000	0.738
75,000	0.721
80,000	0.705
85,000	0.695
90,000	0.684
95,000	0.674
100,000	0.664
125,000	0.630
150,000	0.602
Each additional $1,000	0.485

For amounts between those shown above, interpolate to derive the appropriate factor.

CONDOMINIUM UNITOWNERS POLICY
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

ZONE RATES

Zones	Rate
10	175.52
11	175.52
13	175.52
14	175.52
16	175.52
17	175.52
19	175.52
21	175.52

CONDOMINIUM UNITOWNERS POLICY
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

SUBZONE FACTORS

Subzone	Factor
All	1.000

CONDOMINIUM UNITOWNERS POLICY
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

CONSTRUCTION FACTORS

Construction	Factor
All	1.000

CONDOMINIUM UNITOWNERS POLICY
$500 DEDUCTIBLE
$100,000 LIABILITY, $1,000 MEDICAL PAYMENTS
Premium = Zone Base Rate X Subzone X Construction X Amount Factor X Risk Amount / Base Amount
Base Amount = Amount where factor is 1.000

AMOUNT FACTORS

Risk Amount	Factor
2,000	5.236
4,000	3.177
6,000	2.270
8,000	1.889
10,000	1.675
12,000	1.539
14,000	1.402
16,000	1.315
18,000	1.243
20,000	1.187
22,000	1.138
24,000	1.094
26,000	1.054
28,000	1.027
30,000	1.000
35,000	0.944
40,000	0.894
45,000	0.855
50,000	0.822
55,000	0.800
60,000	0.777
65,000	0.757
70,000	0.738
75,000	0.721
80,000	0.705
85,000	0.695
90,000	0.684
95,000	0.674
100,000	0.664
125,000	0.612
150,000	0.602
175,000	0.583
200,000	0.566
225,000	0.551
250,000	0.542
275,000	0.533
300,000	0.525
Each additional $1,000	0.456

For amounts between those shown above, interpolate to derive the appropriate factor.

6. HOME/AUTO DISCOUNT

The premium shall be reduced by the following if the named insured is also the named insured on a private passenger automobile policy written as voluntary business by State Farm.

Discount
Subtract 20%

NOTE: The following vehicles are not qualifying policies for this discount:

+ Motor homes, Truck or Van Campers (Recreational Use)
+ Motorcycles, Motorscooters, and Motorized bicycles
+ Antique and Classic Automobiles and Replicas
+ Fleets insured under the provisions of the Experience Rating Plan.
+ Recreational Vehicles
+ Driver Training Automobiles
+ Funeral Directors' Automobiles
+ Automobiles Leased to United States Government Agencies
+ Named Non-Owner and Employers Non-Ownership Liability/ Hired Cars

7. UTILITIES RATING PLAN (Homeowners Only)

The following adjustment applies to the premium depending on the calendar year that the dwelling was completed and first occupied OR the calendar year that utilities were updated. If the year first occupied is different than the year completed, the later year is used in determination of the applicable premium adjustment. If the utilities were updated in different years, then the premium adjustment is based on the earliest year in which any one of the utilities was updated.

For utilities to be considered completely updated and qualify for the discount, ***ALL*** of the following must be updated by qualified contractors with all work conforming to local code requirements:

A. Plumbing - improvements should include the installation of new water lines within the structure and plumbing fixtures.
B. Electrical service - improvements should include the replacement of fuse or breaker boxes, switches, fixtures, and wiring.
C. Heating and cooling system - improvements should include furnace and air-conditioning replacement, or replacement of burners on furnaces and compressors on central air-conditioning systems.

FOR HOMES COMPLETED AND OCCUPIED OR UTILITIES UPDATED	PREMIUM ADJUSTMENT
> During current calendar year	Subtract 38%
One year preceding current calendar year	Subtract 34%
Two years preceding current calendar year	Subtract 30%
Three years preceding current calendar year	Subtract 26%
Four years preceding current calendar year	Subtract 22%
Five years preceding current calendar year	Subtract 18%
Six years preceding current calendar year	Subtract 14%
Seven years preceding current calendar year	Subtract 10%
Eight years preceding current calendar year	Subtract 5%
Nine years or more preceding current calendar year	No Adjustment

NOTE: A dwelling under construction shall be considered to be completed and occupied during the current calendar year. The Coverage A amount for a dwelling under construction should equal 100% of the completed dwelling replacement cost. For dwellings under construction; Attach: FE-7347, Valuation Endorsement.

Supporting Document Schedules

		Review Status:	
Satisfied -Name:	Form RF-1 NAIC Loss Cost Data Entry Document--All P&C Lines	Filed	07-23-2007

Comments:

Attachment:

AR HO INS DEPART Filing Form RF - Form RF 1.pdf

		Review Status:	
Satisfied -Name:	Uniform Transmittal Document-Property & Casualty	Filed	07-23-2007

Comments:

Attachment:

AR 22222 PC TD-1 - P-C Transmittal Document.pdf

		Review Status:	
Satisfied -Name:	Form H-1	Filed	07-23-2007

Comments:

AR HO Abstract Filing Form attached.

Attachment:

AR HO Abstract Filing Form H-1 _10-07_.pdf

		Review Status:	
Satisfied -Name:	Filing Memo and Exhibits	Filed	07-23-2007

Comments:

Attachment:

AR HO Complete Filing 10-1-07.pdf

ARKANSAS INSURANCE DEPARTMENT
RATE FILING ABSTRACT

Form RF-1
Rev. 4/96

Insurer Name: State Farm Fire and Casualty Company

Contact Person: Karen Terry Gregory S. Girard

Signature: Karen F Terry

NAIC Number: 0176-25143

Name of Advisory Organization Whose Filing You are Referencing: Not Applicable

Telephone No: (309) 766-2265 (309) 766-2944

Co. Affiliation to Advisory Organization: Member ______ Subscriber ______ Service Purchaser ______

Reference Filing #:

Proposed Effective Date: New: 10/15/2007 Renewal: 12/01/2007

			FOR LOSS COSTS ONLY				
(1) LINE OF INSURANCE By Coverage	(2) Indicated % Rate Level Change	(3) Requested % Rate Level Change	(4) Expected Loss Ratio	(5) Loss Cost Modification Factor	(6) Selected Loss Cost Multiplier	(7) Expense Constant (If Applicable)	(8) Co. Current Loss Cost Multiplier
Homeowners Mulit-Peril	4.2%	-1.1%					
TOTAL OVERALL EFFECT	4.2%	-1.1%	N/A	N/A	N/A	N/A	N/A

N — Apply Lost Cost Factors to Future Filings? (Y or N)
+4% — Estimated Maximum Rate Increase for any Arkansas Insured (%)
-13% — Estimated Maximum Rate Decrease for any Arkansas Insured (%)

Corresponds to Question 3 on RF-2 or RF-WC

5 Year History

Rate Change History

Year	Policy Count	%	Eff. Date	AR Earned Premium (000)	Incurred Losses (000)	Arkansas Loss Ratio	Countrywide Loss Ratio
2003	132,538	+12.7	07/15/03	85,507	41,923	49%	61%
2004	132,052	--	No Change	96,501	38,123	40%	63%
2005	137,241	-9.0	03/15/05	102,134	44,067	43%	77%
2006	139,796	0.0	05/15/05	105,033	78,000	74%	51%
3/2007	140,111	-1.8	06/01/07	--	--	--	--

Selected Provisions

A.	Total Production Expense	20.7
B.	General Expense	2.5
C.	Taxes, License & Fees	2.9
D.	Underwriting Profit & Contingencies	7.0
E.	Other (explain)	
F.	TOTAL	33.1

Effective March 1, 2007

Property & Casualty Transmittal Document

Arkansas

1. Reserved for Insurance Dept. Use Only

2. Insurance Department Use only	
a. Date the filing is received:	
b. Analyst:	
c. Disposition:	
d. Date of disposition of the filing:	
e. Effective date of filing:	
New Business	
Renewal Business	
f. State Filing #:	
g. SERFF Filing #:	
h. Subject Codes	

3.	Group Name	Group NAIC #
	State Farm Insurance Companies	0176

4.	Company Name(s)	Domicile	NAIC #	FEIN #	State #
	State Farm Fire and Casualty Company	Illinois	25143	37-0533080	

5.	Company Tracking Number	HO-22222

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Karen Terry State Farm Fire and Casualty Company One State Farm Plaza, D-4 Bloomington, IL 61710	Actuary and Assistant Secretary-Treasurer	(309) 766-2265	(309) 766-0225	karen.terry.agr7@statefarm.com
	Jessica Newman State Farm Fire and Casualty Company One State Farm Plaza, D-4 Bloomington, IL 61710	Pricing Manager	(309) 735-0665	(309) 766-0225	jessica.newman.jpis@statefarm.com

7.	Signature of authorized filer	Karen F Terry
8.	Please print name of authorized filer	Karen F. Terry

Filing information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	04.0
10.	**Sub-Type of Insurance (Sub-TOI)**	04.0000
11.	**State Specific Product code(s)(if applicable)[See State Specific Requirements]**	N/A
12.	**Company Program Title** (Marketing title)	Homeowners Program
13.	**Filing Type**	☐ Rate/Loss Cost ☐ Rules ☒ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description) -
14.	**Effective Date(s) Requested**	October 15, 2007 for new business and December 1, 2007 for renewals.
15.	**Reference Filing?**	☐ Yes ☒ No
16.	**Reference Organization (**if applicable)	n/a
17.	**Reference Organization # & Title**	n/a
18.	**Company's Date of Filing**	July 10, 2007
19.	**Status of filing in domicile**	☒ Not Filed ☐ Pending ☐ Authorized ☐ Disapproved

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	HO-22222

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

We respectfully submit a revision to our independent Homeowners Program, which results in a rate level decrease of 1.1%. The details of and support for the change are outlined in the attached Filing Memorandum and supporting exhibits. The rate level changes contained in this filing specifically consider the expected effect that any prior changes in policy language will have on our future underwriting experience. The changes detailed in this filing reflect our best efforts to recognize our actuarially suggested income needs and have premiums that are as competitive as possible. We do not rely solely on rate activity to achieve our objective of continued financial solidity. We also concentrate on continued improvements in the way we service the business we write. These improvements range from internal expense controls to ongoing enhancements in the loss settlement process. We also invest and participate in many loss prevention and control activities. The attached Loss Mitigation Exhibit outlines some of these activities.

We see no positive or negative impact of our rates on the affected fire departments.

22. Filing Fees (Filer must provide check # and fee amount if applicable)
[If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: 5000134865
Amount: $100.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

ARKANSAS INSURANCE DEPARTMENT

FORM H-1
Rev. 4/96

HOMEOWNERS ABSTRACT

INSTRUCTIONS: All questions must be answered. If the answer is "none" or "not applicable", so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each Company if filing for a group. Subsequent homeowners rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name State Farm Fire and Casualty Company

NAIC No. 25143 GROUP No. 176

1. If you have had an insurance to value campaign during the experience filing period, describe the campaign and estimate its impact.
N/A

2. If you use a cost estimator (or some similar method) in order to make sure that dwellings (or contents) are insured at their value, state when this program was started in Arkansas and estimate its impact.
N/A

3. If you require a minimum relationship between the amount of insurance to be written and the replacement value of the dwelling (contents) in order to purchase insurance, describe the procedures that are used.
N/A

4. If you use an Inflation Guard form or similar type of coverage, describe the coverage(s) and estimate the impact.
Changes in premium are accounted for in filing Exhibit 2.

5. Specify the percentage given for credits or discounts for the following:

a.	Fire Extinguisher	0 %
b.	Burglar Alarm	3/10* %
c.	Smoke Alarm	2/10* %
d.	Insured who has both homeowners and auto with your company	20 %
e.	Deadbolt Locks	0 %
f.	Window or Door Locks	0 %
g.	Other (Specify)	%
	Maximum Credit Allowed	N/A %
	*Credits depend on combination of protective devices	%

6. Are there any areas in the State of Arkansas in which your company will not write homeowners insurance?
No
If so, state areas and explain reason for not writing

7. Specify the form(s) utilized in writing homeowner insurance. Indicate the Arkansas premium volume for each form.

FORM	**PREMIUM VOLUME**
Homeowners	104,931,167
Renters	3,038,665
Condominium Unitowners	670,270

8. Do you write homeowner risks which have aluminum, steel or vinyl siding? Yes

9. Is there a surcharge on risks with wood heat? No
If yes, state surcharge
Does the surcharge apply to conventional fire places? No
If yes, state surcharge

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Karen F Terry

Signature

Actuary and Assistant Secretary-Treasurer

Title

309-766-2265

Telephone Number

STATE FARM FIRE AND CASUALTY COMPANY
Arkansas Homeowners Program
Filing Memorandum
Effective Dates: 10-15-2007 New Business
12-01-2007 Renewal Business

I. Indicated Rate Change and Rate Revision

Attached for your review is our methodology for forecasting premiums, losses, and expenses to arrive at an indicated change (see Exhibits 1-7). The projections underlying the indicated change include the impacts of applicable coverage changes. The result of the procedure is a 4.2% overall indicated change. This filing represents an overall -1.1% change for the Arkansas Homeowners Program. The loss experience by year is shown in Exhibit 8.

II. Summary of Indications and Changes by Form

Shown below are the indicated changes by Form and the overall changes.

Policy Form	Indicated Rate Change	Summary Of Changes
Homeowners	4.5%	-0.8%
Renters	-5.0%	-8.0%
Condominium Unitowners	-2.7%	-6.0%
Homeowners Program	4.2%	-1.1%

Exhibit 9 shows the development of the indicated changes by Form.

III. Homeowners Program Changes

Home/Auto Discount Revisions

We are increasing our Home/Auto Discount from 17% to 20% for Homeowners policies that have at least one private voluntary passenger auto policy with State Farm.

IV. Homeowners Policy Changes

A. Basic Premium Changes

After including the impact of all other changes, we are implementing a statewide basic premium change to the zone base rates in order to achieve the average -0.8% rate change for the Homeowners policy form.

B. Utilities Rating Plan

We are increasing the discounts under the Utilities Rating Plan as shown below.

Age of Utilities	Current Discount	New Discount
0	-30%	-38%
1	-30%	-34%
2	-30%	-30%
3	-25%	-26%
4	-20%	-22%
5	-15%	-18%
6	-10%	-14%
7	-5%	-10%
8	-2%	-5%
9 or more	0%	0%

V. Renters and Condominium Unitowners Policy Changes

Basic Premium Changes

After including the impact of all other changes, we are implementing a statewide basic premium change in order to achieve the average -8.0% rate change for the Renters policy form and the average -6.0% rate change for the Condominium Unitowners policy form.

State Farm Fire and Casualty Company
Arkansas Homeowners
Index of Exhibits

Exhibit 1
State Farm Fire and Casualty Company
Arkansas Homeowners
Indicated Rate Level Adjustment
Policies Effective: 10/15/2007 New 12/1/2007 Renewal

Premiums, Losses and Expenses Per Policy Projected To 12/1/2008

	$Per Policy		% Of Earned Premium	
Earned Premium		834.53		100.0
Non-Catastrophe Incurred Losses and Loss Adjustment Expenses	424.55		50.8	
Incurred Losses	350.21		41.9	
Incurred Loss Adjustment Expenses	74.34		8.9	
Catastrophe Losses and Loss Adjustment Expense	160.97		19.3	
Total Losses and Loss Adjustment Expenses		585.52		70.1
Total Underwriting Expenses		217.66		26.1
Fixed Expenses	83.57		10.1	
Variable Expenses	134.09		16.0	
Total Loss and Expenses		803.18		96.2

Indicated Rate Level Adjustment

The Rate Level adjustment is derived by solving the following formula:

$$IC = (((L + F) / (100 - V - P)) - 1) * 100$$

where: IC = Indicated Change to Rate Level
L = Total Loss and Loss Adjustment Expenses
F = Fixed Expenses
V = Variable Expenses
P = Profit and Contingencies
all expressed as a percent of projected earned premium

Solving the equation using the data shown above and a 7.0% provision for profit and contingencies yields:

$$IC = (((70.1 + 10.1) / (100 - 16.0 - 7.0)) - 1) \times 100$$
$$= ((80.2 / 77) - 1) \times 100$$
$$= (1.042 - 1) * 100$$
$$= 4.2\% \text{ increase}$$

Exhibit 2
State Farm Fire and Casualty Company
Arkansas Homeowners
Average Premium Per Policy

Premium per policy for the current calendar year is projected by adjusting actual premium writings to current premium levels to reflect items such as changes in rates, inflation and distributions. The resulting current level written premium is then forecast by estimating the effects the same elements (rates, inflation and distribution changes) will have in future years. Written premium per policy and earned premium per policy are projected to the mid-point of the period proposed rates are to be in effect by straight-line interpolation between the appropriate calendar year forecasts.

I. Premium Adjustments

A. Rate Change Adjustment

Rather than assume a uniform distribution of premium writings by month to determine rates at current rate level, we assign a rate change factor by month and apply the factor to monthly written premium distributions.

Actual written premium per policy is adjusted to current rate level in recognition of the following rate changes.

Effective Date		
New	Renewal	Effect
5/15/2006	7/1/2006	0.0
5/15/2007	7/1/2007	-1.8

B. Inflation Adjustment

Actual written premium is further adjusted to reflect inflationary changes. Currently, a 1.0% change in policy amount results in a 0.833% change in policy premium.

The anticipated increase in policy amount and the resulting premium increase are shown below for Arkansas.

	2007	2008	2009	2010
Increase in Policy Amount	1.053	1.053	1.053	1.053
Premium Equivalence Factor	0.833	0.833	0.833	0.833
Resulting Effect on Premium	1.044	1.044	1.044	1.044

C. Adjustments For Anticipated Shifts in Distributions

Written premium per policy is further adjusted to recognize any projected changes in our distribution of business that are not reflected in current data or trends.

	2007	2008	2009	2010
Adjustment Factor	1.000	1.000	1.000	1.000

Exhibit 2 (Continued)

II. Premium Calculations

A. Current Calendar Year

Historical written premium is adjusted to reflect changes in rate level, inflation and distribution to get an estimate of the current calendar year written premium at current level, by month.

Earned premium is estimated by earning the premium written uniformly over a 13-month period with the first and last month each earning 1/24th and the remaining months each earning 1/12th of the premium written. This produces a more accurate estimate of earned premium than can be produced using the traditional parallelogram method.

Our estimate of 2007 premium per policy is: $802.11.
This estimate reflects latest actual premium per policy adjusted for items such as current rates and inflation.

B. Subsequent Calendar Years

Each subsequent calendar year's written premium is estimated by applying adjustment factors for inflation and distribution changes to written premium distributions by month for the prior year. Since those written premiums have already been adjusted to current rate level no further rate change adjustment is necessary. Earned premium is estimated in the same manner as above.

Year	Prior Year Written Premium Per Policy	Adjustment Factors		Projected Written Premium Per Policy
		Inflation Coverage	Distribution Change	
2008	802.11	1.044	1.000	837.40
2009	837.40	1.044	1.000	874.25
2010	874.25	1.044	1.000	912.72

C. Period of Proposed Rates

The estimated premium per policy of the period that proposed rates are to be in effect is determined via straight-line interpolation between the appropriate calendar years to the mid-point of the annual period the rates are to be in effect. This is analogous to applying current level premium adjustments to the historical earned premium and a projection factor for inflationary effects.

Calendar Year	Projected Written Premium Per Policy	Projected Earned Premium Per Policy
2008	837.40	819.41
2009	874.25	855.47
12/1/2008	852.85	834.53

Exhibit 3
State Farm Fire and Casualty Company
Arkansas Homeowners
Non-Cat All Peril: Frequency, Severity and Pure Premium

Historical Data

Period	Severity	Frequency	Pure Premium
3/2000	2,636	9.79	258.18
6/2000	2,725	9.39	255.87
9/2000	2,857	9.24	264.10
12/2000	2,915	9.29	270.89
3/2001	3,135	9.56	299.64
6/2001	3,211	9.55	306.60
9/2001	3,345	9.75	326.19
12/2001	3,408	10.15	345.81
3/2002	3,407	9.87	336.18
6/2002	3,459	9.84	340.34
9/2002	3,479	9.24	321.39
12/2002	3,667	8.48	311.00
3/2003	3,880	7.96	308.99
6/2003	4,042	7.36	297.64
9/2003	4,350	6.79	295.46
12/2003	4,344	6.29	273.22
3/2004	4,264	5.80	247.16
6/2004	4,716	5.08	239.51
9/2004	4,915	4.81	236.46
12/2004	4,863	4.81	233.96
3/2005	5,266	4.77	251.30
6/2005	5,239	5.12	268.30
9/2005	5,413	5.24	283.76
12/2005	5,862	5.12	299.91
3/2006	5,753	5.08	291.96
6/2006	5,584	5.27	294.38
9/2006	5,407	5.18	279.96
12/2006	5,498	5.17	284.33

Trended Values❖

28 Point	7,061	7.29	514.75
20 Point	7,244	6.36	460.72
12 Point	6,871	5.12	351.80

Selected Values

Selected	6,622	5.22	345.68

❖ Trended Values represent an ordinary Least Squares trend for Severity. The Frequency value is an average of the points selected. Trended and selected values are for the mid-point of the period that these rates would be in effect (12/1/2008).

The historical and selected Pure Premium figures are shown for All Perils. The selected figures are based on an in-depth analysis of Frequency, Severity and Pure Premium separately for each of the perils of Fire, Wind/Hail, OEC, Crime, Section II (Liability). An analysis by peril reveals trends and highlights abnormal results that cannot be determined in an analysis of All Perils data. The results are summed by peril to determine the selected figures shown. This figure is checked against historical Pure Premium data for reasonableness as shown above. The selected Pure Premium figures are consistent with historical data and recent trends.

Exhibit 4
State Farm Fire and Casualty Company
Arkansas Homeowners
Adjustments to Non-Catastrophe Paid Loss Ratio

I. Factor to Adjust Non-Cat Paid Loss to Non Cat Incurred Loss

Year	Ratio of Non-Cat Incurred Losses to Non-Cat Paid Losses		
2002	1.0210		
2003	0.8450		
2004	1.0534		
2005	1.0152		
2006	0.9686		
3 Year Average	1.0124		
5 Year Average	0.9806		
		Paid Loss Per Policy	Incurred Loss Per Policy
Selected 12/1/2008	1.0131	$345.68	$350.21

Non-Catastrophe Incurred Losses Projected To 12/1/2008: $350.21

II. Factor to Adjust Non-Cat Incurred Losses to Non-Cat Incurred Loss and Loss Adjustment Expense (includes both Allocated and Unallocated Loss Adjustment Expenses)

	Non-Catastrophe Loss Adjustment Expenses Divided by Incurred Losses				
Year	A.L.A.E*.	U.L.A.E*.	Total		
2002	0.0113	0.1800	0.1914		
2003	0.0379	0.2273	0.2652		
2004	0.0167	0.2129	0.2296		
2005	0.0155	0.2054	0.2209		
2006	0.0236	0.2929	0.3165		
3 Year Average	0.0186	0.2371	0.2557		
5 year Average	0.0210	0.2237	0.2447		
				Incurred Loss Per Policy	Adj. Expense
Selected 12/1/2008	0.0180	0.1945	0.2125	$ 350.21	$ 74.34

Non-Catastrophe Loss Adjustment Expenses Projected To 12/1/2008: $ 74.34

* Beginning January 1, 1998, ALAE and ULAE are defined according to the Annual Statement Instructions. ALAE refers to "Claim Adjustment Services" including defense, litigation, and medical cost containment. ULAE refers to all remaining expenses associated with adjusting and recording policy claims.

Exhibit 5
Arkansas Homeowners
Catastrophe Provision

For ratemaking purposes, State Farm removes all catastrophe (CAT) losses from our loss data. Each state's CAT losses are analyzed separately and a CAT provision is developed according to the following procedure and used in the ratemaking formula. In those states with a hurricane exposure, a hurricane provision is developed independently.

I. Amount Of Insurance Years Exposure Base

The Amount of Insurance Years statistic (AIY) measures $1,000's of building insurance in force for one year. For example, a $100,000 dwelling insured on January 1st and in force continuously for that year equals 100 Amount of Insurance Years. Amount of Insurance Years reflects changing values and represents an accurate measure of our exposure to catastrophic loss.

II. Catastrophe Provision

A. Weighted CAT Provision

Because catastrophes can be infrequent events, many years of history are needed to determine a provision. Contract changes and changes in the number of policies written in catastrophe prone areas, however, make it prudent to give greater weight to more recent years.

The weighted CAT/AIY is calculated as the weighted average of the latest year's loss per AIY and the previous year's provision. The latest year's data is given a weight of 5%.

In choosing the selected CAT/AIY, appropriate consideration is given to historical data, future conditions, insurance and economic trends, along with other relevant considerations.

B. Trend Factor

A catastrophe trend factor is applied to reflect the upward trend in our CAT ratios over the experience period.

Some reasons for this increasing trend include:
- The leveraging effect of a fixed dollar catastrophe threshold
- An increasing concentration of business in CAT prone areas
- Changes over time in the nature of exposures underlying the catastrophe data

Exhibit 5A shows the development of the trend factor. The trend factor is based on companywide Homeowners data since individual state data lacks credibility.

C. Capping

To provide stability, the annual change in the CAT provision is limited to +/-10%. Each year the CAT provision will be calculated using the actual uncapped experience, but the result will be limited to a change of +/-10% of the prior year's provision.

III. Catastrophe Loss & LAE

The Catastrophe Provision determined above is multiplied by projected AIY per policy to determine the CAT Loss & Loss Adjustment Expense (LAE) per policy used in the indicated change calculation.

Arkansas Homeowners
Catastrophe Provision

A.	Latest Year's (2006) CAT/AIY	=	2.4191
B.	Previous Year's CAT Provision Prior to capping	=	1.0361
C.	Weighted CAT/AIY = (5% x A) + (95% x B)	=	1.1053
D.	Selected CAT/AIY	=	1.1053
E.	Trend Factor	=	1.03
F.	CAT Provision prior to capping = D x E	=	1.1385
G.	Previous Year's Final CAT Provision	=	1.0361
H.	Selected CAT Provision = F limited to change of +/- 10% of G	=	1.1385
I.	Projected AIY per policy	=	141.39
J.	Catastrophe Loss & LAE per Policy (as of 12/1/2008) = $H \times I$	=	160.97

EXHIBIT 5A
STATE FARM COMPANYWIDE
HOMEOWNERS DATA
DEVELOPMENT OF CATASTROPHE TREND

(1) YEAR	(2) 20 YEAR ROLLING AVERAGE CAT/AIY	(3) FITTED CAT/AIY
1987	0.3269	0.3424
1988	0.3327	0.3607
1989	0.3583	0.3789
1990	0.3838	0.3972
1991	0.4203	0.4155
1992	0.4526	0.4337
1993	0.4739	0.4520
1994	0.4756	0.4702
1995	0.4940	0.4885
1996	0.5295	0.5068
1997	0.5396	0.5250
1998	0.5648	0.5433
1999	0.5663	0.5616
2000	0.5855	0.5798
2001	0.6166	0.5981
2002	0.6195	0.6163
2003	0.6383	0.6346
2004	0.6281	0.6529
2005	0.6223	0.6711

(4) ANNUAL TREND 2.7%

(5) SELECTED TREND 3.0%

Exhibit 6
State Farm Fire and Casualty Company
Arkansas Homeowners
Underwriting Expense Exhibit

I. Variable Expense Ratios As a Percent of Earned Premium

Calendar Year	Variable Expense Ratios
2002	17.0%
2003	16.9
2004	16.4
2005	15.9
2006	15.9
3 Year Average	16.1
5 Year Average	16.4
Selected 2007	16.0
Selected 2008	16.0
Selected 2009	16.0
Selected 2010	16.0
Selected at 12/1/2008	**16.0%**
Variable Expense Per Policy 12/1/2008	$134.09

II. II Fixed Expenses as Dollars Per Average Policy in Force

Calendar Year	Fixed Expense per Policy
2002	$71.62
2003	84.82
2004	83.53
2005	69.40
2006	84.77
Selected 2007	82.41
Selected 2008	83.23
Selected 2009	84.05
Selected 2010	84.89
Selected at 12/1/2008	$83.57

III. Total Expenses Per Policy in Force

Total Variable Expense per policy:	$134.09
Total Fixed Expense per policy:	+ 83.57
Total Expense per policy:	$217.66

Exhibit 7
State Farm Fire and Casualty Company
Provision for Underwriting Profit and Contingencies

The following analysis demonstrates that the use of a 7.0% combined provision for underwriting profit and contingencies, together with expected investment income, will produce an expected total return after tax for State Farm which is reasonable when compared to that earned by other industries. This will enable the company to serve the insurance needs of its policyholders and meet its obligations in the property/casualty insurance market. These earnings provide the only source of funds for its Policyholder Protection Fund (Surplus), which is essential to State Farm's continued growth and financial strength.

Total Financial Needs Analysis

A. Property and Casualty insurance premiums traditionally include provisions for normally anticipated losses and expenses (including an estimate of expected catastrophe losses) and a combined provision for underwriting profit and contingencies. The contingency provision reflects an allowance in the rates for losses and expenses arising from events which cannot be reasonably foreseen or predicted. It thus represents an allowance for adverse fluctuations from the otherwise expected results. The underwriting profit provision reflects the expected premium in excess of all incurred losses, expenses and contingencies. The need for a contingency element in the rates is generally accepted actuarially and recognized in nearly all rating laws. Over the long term, the contingency element will not be actually realized as an underwriting profit, but will be offset by unanticipated losses and expenses.

   State Farm Fire and Casualty Company's underwriting profit, before federal taxes, has averaged -8.2%, -7.0% adjusted for catastrophes, (see Exhibit 7A, Columns (2) and (2a)) in the last twelve years (approximately two underwriting cycles). These results were generated during a period when filed rates generally included a combined provision for underwriting profit and contingencies of 2% to 7%, averaging approximately 4%. Thus the contingency element has recently been averaging in excess of 2% of earned premium.

   It is thus reasonable to expect that a 7.0% combined provision for **underwriting profit and contingencies** will produce an actual underwriting profit no more than 5.0%.

B. **Net Investment Income** (interest, dividends and real estate income) has declined as a percent of mean invested assets from 6.6% in 1995 to 4.5% in 2006 (see Exhibit 7D). Based on an analysis of these decreasing results, it is reasonable to expect a return of 4.5% on invested assets during the time the rates will be in effect.

   Capital Gains have fluctuated between -7.6% and 6.6% of mean invested assets over the past twelve years (see Exhibit 7D), with 12 year average of 2.1%. The expected contribution of capital gains during the period rates will be in effect is 2.0% of invested assets.

Exhibit 7
(Continued)
State Farm Fire and Casualty Company

As a result, the **Net Investment Yield** as a percent of invested assets is expected to be 6.5% (4.5% net investment income plus 2.0% capital gains) during the time rates will be in effect.

C. **Other Income**, largely service charges for premium installment plans, has averaged 0.3% of earned premium during this period (see Exhibit 7A, Column (3)). The expected other income during the time the rates will be in effect is 0.5%.

D. All of these income sources combine to yield a total expected insurance operating profit of approximately 10.2% on earned premium, before tax, as summarized in the table on the following page. This includes the expected investment income attributable to unearned and advance premium reserves and that portion of loss and loss adjustment expense reserves resulting from policyholder supplied funds, as well as underwriting profit.

State Farm Fire and Casualty Company is exposed to catastrophic losses well in excess of $3 billion. Some potential sources for such losses are earthquakes in the New Madrid and the Pacific Northwest areas as well as hurricanes along the Gulf and mid-Atlantic coasts. In recognition of that fact, State Farm Fire and Casualty Company continues to believe that a Policyholder Protection Fund ratio of at least $0.65 per dollar of earned premium is necessary to adequately protect its policyholders. Although we are using a $0.65 ratio in this ratemaking analysis, considering the multiplicity, nature and magnitude of risks and needs that we face, State Farm Fire and Casualty's surplus could reasonably be larger to provide the financial strength that is adequate and appropriate for our policyholders today and in the future.

Allowing for the expected investment income attributable to the needed Policyholder Protection Fund of $65 per $100 of earned premium, the expected total return, after tax, is 16.2% as demonstrated in the following table.

Taking into account the equity in the unearned and advance premium reserve, the expected total return is approximately 13.3% on a GAAP adjusted basis. An expected total return in the 8% to 18% range is reasonable in comparison to current returns in other industries. Recent median returns reported in Forbes and Fortune magazine are in this range, with an average of around 13%, on a GAAP adjusted basis. For industries with greater than average risk, a higher total return is appropriate, commensurate with the additional risk.

Based on the forgoing, we conclude that a 7.0% combined provision for underwriting profit and contingencies can be expected to produce a reasonable total return during the time the projected rates are to be in effect. If the contingency provision is actually realized as a profit in any year, the expected total return increases to 14.9%. Such a result would still be reasonable and not excessive.

Exhibit 7
State Farm Fire and Casualty Company
All Lines Combined

Expected Total Return

Premium = $100
Policyholder Protection Fund = $65

1)	Expected Contribution from a 2% Provision for Contingencies: $100 x .000 (Item A above)	$	0.00
2)	Expected Underwriting Profit	$	5.00
3)	Investment Income on Unearned and Advance Premium Reserves $100 x (Exhibit 7B, Line 7)	$	1.70
4)	Investment Income on Loss and LAE Reserves $100 x (Exhibit 7C, Line 6)	$	3.00
5)	Other Income $100 x (Item C above)	$	0.50
6)	Expected Insurance Operating Profit, Before Tax	$	10.20
7)	Investment Income on Policyholder Protection Fund $65 x (Exhibit 7D, Selected Investment Yield)	$	4.23
8)	Federal Income Tax equals greater of: (Lines 1 + 2 + 5) x 20% + (Lines 3 + 4 + 7) x (Exhibit 7E AMT Tax Rate) and (Lines 1 + 2 + 5) x 35% + (Lines 3 + 4 + 7) x (Exhibit 7E Reg Tax Rate)	$	3.88
9)	Expected Total Return	$	10.55
10)	Expected Total Return as a Percent of Policyholder Protection Fund Line 9 / $65		16.2%
11)	GAAP Adjusted Return Line 10 / (Exhibit 7F, Line 6)		13.3%

Exhibit 7A
State Farm Fire and Casualty Company
All Lines Combined

Companywide Insurance Operations

Year	U/W Gain/Loss		Other	Net	Net Inv. Income as	Net Realized	Net	After Tax		
	Actual	Adjusted	Income	Investment Income	% of Mean Inv. Asset	Capital Gain/Loss	Income Before Tax	Net Income	Net Unrealized Capital Gain/Loss	Net Income plus Unrealized Gain/Loss
(1)	**(2)**	**(2a)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
1995	-8.6%	-1.1%	0.3%	10.4%	6.6%	0.2%	2.4%	2.6%	5.3%	7.9%
1996	-13.9%	-10.8%	0.2%	10.0%	6.3%	0.7%	-3.0%	3.0%	3.8%	6.8%
1997	-1.1%	-6.3%	0.1%	9.9%	5.8%	0.6%	9.4%	13.1%	6.9%	20.0%
1998	-15.4%	-11.7%	0.2%	10.5%	5.5%	0.9%	-3.8%	-1.9%	6.8%	4.9%
1999	-16.6%	-12.2%	0.1%	10.4%	5.0%	1.9%	-4.1%	-1.5%	2.9%	1.4%
2000	-22.5%	-14.5%	0.2%	10.7%	4.9%	5.1%	-6.5%	-3.3%	-3.7%	-7.0%
2001	-36.5%	-31.2%	0.1%	9.3%	4.8%	1.3%	-25.8%	-22.1%	-4.5%	-26.7%
2002	-14.8%	-16.9%	0.2%	7.8%	4.7%	-1.9%	-8.6%	-13.1%	-6.9%	-20.0%
2003	6.2%	4.3%	0.6%	7.0%	4.6%	2.0%	15.7%	11.1%	4.7%	15.7%
2004	16.0%	7.5%	0.5%	6.9%	4.4%	0.9%	24.3%	24.2%	0.7%	24.9%
2005	6.0%	5.6%	0.5%	7.6%	4.5%	-0.1%	13.9%	11.0%	0.3%	11.3%
2006	3.2%	3.1%	0.5%	8.2%	4.5%	1.0%	12.9%	9.6%	2.9%	12.5%
Mean	-8.2%	-7.0%	0.3%	9.1%	5.1%	1.1%	2.2%	2.7%	1.6%	4.3%
Std Dev	14.7%	11.4%	0.2%	1.5%	0.7%	1.6%	13.7%	12.4%	4.5%	15.4%

All Columns are percentages of earned premium, except Column (5).
All Columns are percentages before federal taxes, except Columns (8) through (10).

(2) Equals net underwriting gain or loss from Annual Statement, page 4, less dividends to policyholders, and adjusted for prepaid expenses and miscellaneous other income related to insurance operations excluding items in Column (3).
(2a) Equals Column (2) adjusted to smooth for the effects of catastrophe losses. Actual catastrophe losses are removed and replaced with the losses contemplated in our current catastrophe provision.
(3) Equals other income related to insurance company operations from Annual Statement, page 4, line 15, excluding insurance department fines, penalties, California Earthquake Authority assessment (1996), and Public Protection Class adjustment (1997).
(4) Derived from Annual Statement, page 4, line 9, less State Farm affiliates.
(5) Derived from Annual Statement, page 4, line 9, less State Farm affiliates.
(6) Derived from Annual Statement, page 4, line 10, less State Farm affiliates.
(7) Columns (2) + (3) + (4) + (6).
(8) Derived from Column (7), less the sum of federal income taxes incurred, including an estimated tax on prepaid expenses.
(9) Derived from Annual Statement, Exhibit of Capital Gains (Losses), page 12, line 10, Column 3 less State Farm affiliates, less the estimated tax.
(10) Columns (8) + (9).

Exhibit 7B
State Farm Fire and Casualty Company
All Lines Combined

Estimated Investment Income from Reserve for Unearned Premium and Advance Premiums

			All Lines
(1)	**Mean Reserve for Unearned and Advance Premiums, as a Ratio to Earned Premium**		
	(a)	2004	0.5394
	(b)	2005	0.5460
	(c)	2006	0.5443
	(d)	3 Year Average	0.5432
(2)	**Delayed Remission of Premiums**		
	Ratio of Agents' Balances or Uncollected Premium to Unearned Premium and Advance Premiums		25.6%
(3)	**Expenses Incurred at Beginning of Policy Term (as a % of Written Premium)**		
	(a)	Commissions and Other Acquisition Expenses	21.2%
	(b)	50% of General Expenses	1.6%
	(c)	Taxes	2.6%
	(d)	Total	25.5%
(4)	**Mean Unearned Premium and Advance Premium Reserve Adjusted for Agents' Balances, Uncollected Premiums, and Prepaid Expenses**	(1d) * (1.000 - (2) - (3d))	0.2654
(5)	**Adjusted for Tax on Prepaid Expenses**	(4) - (1d) * 3% * 0.20 * 35%	0.2643
(6)	**Investment Yield, before Tax**		6.5%
(7)	**Investment Income, as a % of Earned Premium**	(5) * (6)	1.7%

DATA SOURCES:

Item 1 - Annual Statement, Page 6, Part 1 and Page 3, Line 10
Item 2 - Annual Statement, Page 2, Line 13 and Page 6, Part 1 and Page 3, Line 10
Item 3 - Insurance Expense Exhibits 2004-2006 (three year average of the mean ratios)
Item 5 - Assumes the unearned premium reserve will increase at a growth rate of 3%; 0.20 is the IRS prepaid expenses factor; 35% is the current effective tax rate on underwriting income.
Item 6 - From Exhibit 7D

Exhibit 7C
State Farm Fire and Casualty Company
All Lines Combined

Estimated Investment Income from Reserve for
Losses and Loss Adjustment Expenses

			All Lines
(1)	**Mean Reserve for Losses and Loss Adjustment Expense, as a Ratio to Incurred Losses and Loss Adjustment Expenses**		
	(a)	2002	0.7438
	(b)	2003	0.6996
	(c)	2004	0.7334
	(d)	2005	0.6872
	(e)	2006	0.6881
	(f)	5 Year Average	0.7104
(2)	**Permissible Loss and LAE (% Earned Premium)**	(1.0000 - Expense Ratio - Underwriting Profit Provision)	65.4%
(3)	**Mean Reserves for Losses and Loss Adjustment Expenses as a Ratio to Earned Premium**	(2) * (1f)	0.4646
(4)	**Adjusted for Tax on Discounted Reserves**	(3) - (3) * 4% * 7.7% * 35%	0.4641
(5)	**Investment Yield, before Tax**		6.5%
(6)	**Estimated Investment Income from Losses and Loss Adjustment Expense Reserves (as a % of Earned Premium)**	(4) * (5)	3.0%

DATA SOURCES:

Item 1 - Annual Statement, Page 3, Line 1 plus Line 3 and Page 4, Line 2 plus Line 3.
Item 2 - 1.0000 minus provision for expenses and underwriting profit. Expense provision is the latest five year average of commissions, other acquisition, general expenses, and taxes, licenses, and fees from the Insurance Expense Exhibit.
Item 4 - To recognize tax resulting from discounting of reserves; 4% is the estimated growth in loss reserves; 7.7% is the average discount of reserves; 35% is the current effective tax rate on underwriting income.
Item 5 - From Exhibit 7D

Exhibit 7D
State Farm Fire and Casualty Company
All Lines Combined

Investment Rate of Return
As a Percent of Mean Invested Assets

	Year	Net Investment Income	Capital Gain/Loss
	1995	6.6%	5.3%
	1996	6.3%	4.1%
	1997	5.8%	6.6%
	1998	5.5%	6.0%
	1999	5.0%	3.0%
	2000	4.9%	-0.2%
	2001	4.8%	-2.9%
	2002	4.7%	-7.6%
	2003	4.6%	6.1%
	2004	4.4%	1.3%
	2005	4.5%	0.2%
	2006	4.5%	3.0%
Latest Twelve Year Average		5.1%	2.1%
Latest Six Year Average		4.6%	0.0%
Selected 2007		**4.5%**	**2.0%**

Data Source: Annual Statement, Pages 2 and 12

Exhibit 7E
State Farm Fire and Casualty Company
All Lines Combined

Average Federal Tax Rate on Investment Income

Investment Type		Investment Income 2004 through 2006	Distribution	Current Tax Rate Regular	AMT
Bonds (Taxable)	$	1,272,751,209	50.4%	35.0%	20.0%
Bonds (Tax Exempt)		916,345,675	36.3%	5.3%	15.8%
Stocks (Unaffiliated)		282,439,165	11.2%	14.2%	17.0%
Other (Net of Depreciation)		51,311,800	2.0%	35.0%	20.0%
Total	$	2,522,847,849		21.9%	18.1%

Item Sources:

Investment Income from Annual Statement, Page 12, Exhibit of Net Investment Income

Current Tax Rate computed according to the 1986 Tax Reform Act, as amended:
Under this Act, 15% of formerly tax-exempt income from securities purchased after August 7, 1986 is now taxable. Thirty percent of stock dividends are taxed at 35% and seventy percent are taxed at 15% of 35%. Thus, the estimated effective tax rate will be:

Ordinary Income	35.0%	
Tax Exempt Bonds	5.3%	= .15 x 35%
Stock Dividends	14.2%	= (.30 + (.70 x .15)) x 35%

AMT is computed according to the 1986 Tax Reform Act Alternative Minimum Tax:
Under the Alternative Minimum Tax, a rate of 20% applies to the sum of regular tax income and 75% of tax exempt income. The estimated effective AMT will be:

Ordinary Income	20.0%	
Tax Exempt Bonds	15.8%	= (.15+ (.85 x .75)) x 20%
Stock Dividends	17.0%	= [.30 + .70 x (.15 + (.85 x .75))] x 20%

Exhibit 7F
State Farm Fire and Casualty Company
All Lines Combined

Expected Total Return - Adjustment to GAAP

	Item	Amount (,000's)	Source (Annual Statement)
(1)	12/31/2006 Policyholder Protection Fund (Based on $0.65 Ratio to Net Written Premium)	$ 7,563,201	Page 6, Part 1, Line 34, Column 1
(2)	Provision for Reinsurance	1,314	Page 3, Line 16, Column 1
(3)	Non-Admitted Assets	34,648	Page 13, Line 26, Column 1
(4)	Equity in the Unearned and Advance Premium Reserve	1,644,035	(h)
(5)	Total Adjustments	1,679,997	(2) + (3) + (4)
(6)	GAAP Surplus Adjustment Factor	1.2221	((5) + (1)) / (1)

Calculation of Equity in the Unearned and Advance Premium Reserve

	Item	Amount (,000's)	Source (Annual Statement)
(a)	Commissions and Brokerage Expense Incurred	1,765,935	IEE, Part II, Line 34, Column 23 plus Part I, Line 3, Column 2
(b)	Taxes, License & Fees Incurred	305,985	IEE, Part II, Line 34, Column 25
(c)	Other Acquisition Expenses Incurred	762,420	IEE, Part II, Line 34, Column 27 less Part I, Line 3, Column 2
(d)	General Expenses Incurred	403,131	IEE, Part II, Line 34, Column 29
(e)	Total	3,035,906	(a) + (b) + (c) + 1/2 (d)
(f)	2006 Written Premium	11,635,694	Page 6, Line 34, Column 1
(g)	2006 Ending Unearned and Advance Premium Reserve	6,301,082	Page 6, Line 34, Column 3 and Page 3, Line 10, Column 1
(h)	Equity in the Unearned and Advance Premium Reserve	1,644,035	(g) * ((e) / (f))

Exhibit 8
State Farm Fire and Casualty Company
Arkansas Total Homeowners
Gross Underwriting Profit or Loss on a Statutory Basis

Arkansas						
Year	Earned Premium	Non-Cat Loss Ratio	Catastrophe Loss Ratio	Total Loss Ratio	Expense Ratio	Actual Combined Ratio
2002	74,100,355	71.1%	8.4%	79.5%	31.5%	111.0%
2003	85,507,058	45.6%	13.9%	59.5%	29.6%	89.1%
2004	96,501,137	41.5%	6.2%	47.7%	28.7%	76.3%
2005	102,134,322	49.0%	3.4%	52.3%	25.0%	77.4%
2006	105,033,387	48.1%	40.1%	88.2%	27.3%	115.5%
02-06	463,276,259	50.1%	15.0%	65.2%	28.2%	93.3%

Companywide						
Year	Earned Premium	Non-Cat Loss Ratio	Catastrophe Loss Ratio	Total Loss Ratio	Expense Ratio	Actual Combined Ratio
2002	8,061,679,501	72.1%	17.3%	89.3%	31.4%	120.7%
2003	9,384,128,366	46.3%	25.9%	72.3%	30.0%	102.3%
2004	10,516,192,616	42.1%	32.7%	74.8%	27.6%	102.4%
2005	11,264,262,416	40.4%	49.6%	90.0%	24.5%	114.5%
2006	11,811,942,032	43.4%	18.0%	61.3%	26.8%	88.2%
02-06	51,038,204,932	47.5%	29.3%	76.9%	27.8%	104.7%

Expense Ratios include Agents' Commissions, Taxes, Other Acquisition and General Expenses.

Loss Ratios include Adjustment Expense.

Totals may not add due to rounding.

Exhibit 9
State Farm Fire and Casualty Company
Arkansas Total Homeowners
Indicated Rate Level Adjustment By Form

(1) Form	(2) Credibility Weighted Current Level Non-Cat Loss Ratio	(3) Form Catastrophe Provision as a Percent of Earned Premium	(4) 2006 Fixed Expense Ratio	(5) Total Formula Ratio	(6) Index to Total	(7) Selected Index	(8) Index Adjusted For Off Balance	(9) Form Indicated Rate Level Adjustment
Homeowners	45.3	19.9	11.4	76.6	1.0061	1.0061	1.0032	4.5%
Renters	57.1	2.2	10.4	69.6	0.9145	0.9145	0.9119	-5.0%
Condo Unit Owners	54.9	5.1	11.4	71.3	0.9369	0.9369	0.9342	-2.7%
Total Homeowners	45.7	19.0	11.4	76.1	1.0029	1.0029	1.0000	4.2%

Column Explanations:

(2) Calendar years 2002 - 2006 Non-Cat Incurred Loss and Loss Adjustment Expenses Divided by Current Level Earned Premiums adjusted for credibility.

(3) Catastrophe provision/AIY divided by 2006 Current Level Earned Premium/AIY. The individual forms are derived from the statewide provision, which is developed in Exhibit 5.

(4) 2006 Fixed Expenses divided by 2006 Current Level Earned Premium.

(5) Col (2) + Col (3) + Col (4)

(6) Col (5) divided by Total Col (5). Total Col (6) Weighted by 2006 Current Level Earned Premium.

(7) Total Col (7) Weighted by 2006 Current Level Earned Premium.

(8) Col (7) divided by Total Col (7).

(9) Total Col (9) indicated Rate Level Adjustment is from Exhibit 1.
((1 + Total Col (9)) X Col (8)) - 1